

Fiscal Year 2001 – 2nd Quarter Report
University of Delaware
Firm Level Assistance Group
Danube River Initiative (DRI) Program
Period of Coverage: January 1 – March 31, 2001

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University of Delaware / FLAG Danube River Initiative Program (DRI)

I. Major Implementation Accomplishments

Technical assistance was provided to UD/FLAG DRI beneficiaries. Edward Valentine counseled Hristo Hristov, Troyan Commerce, on fruit and vegetable drying technologies, drying of medicinal plants and marketing of such products for three weeks. Jarvis Asbill consulted “Manolov” Ltd. on new technologies and new products in the meat processing industry for two weeks.

UD/FLAG DRI team is conducting on-site monitoring and financial performance evaluation of the projects financed on a monthly basis.

UD/FLAG DRI projects Stone Working Equipment for ArtPro company and Bakery for Zlatorojie Cooperative were approved for direct financing.

II. Contribution to Targets and Benchmarks

To date FLAG/DRI EDP projects opened 84 new jobs and 42 are being created by the assisted businesses. The projects financed also account for creating or retaining 360 jobs in assisted business ventures and integrated production, as a result of direct financing. The assisted businesses generated revenue of \$232,474 for the period September-March, following the receipt of a DRI grant. Based on the projections for the individual projects, the beneficiaries have to generate a total of \$258,760 for their first full year of operations. All targets have been hit and considerably exceeded. The total amount of financing approved, or in disbursement, is \$184,689. The table below shows the results achieved to date.

A. Contribution to Targets

Impact Indicator	Target	Results to Date	Results Rate
1. Number of jobs created and retained by assisted cooperatives, associations, and business ventures as a result of direct financing.	80	126	158%
2. Number of jobs created and retained by assisted cooperatives, associations, and business ventures in assisted business ventures and integrated production.	500	360	72%
3. Revenue generated by assisted cooperatives, associations, and business ventures.	\$200,000 in the first year, (or \$600,000 over 3 years)	\$232,474 for two quarters	116%
4. Number of new and established cooperatives, associations and business ventures that have adopted western-style practices.	20	20	100%

B. Contribution to Benchmarks

Task	Output / Impact Benchmark	Time Frame	Accomplishment
1. Conduct the first technical assistance project in farm management for cooperatives and business ventures	Improved business operations, production, and marketing plans of a group of eligible business ventures	By the sixth month	Completed in April (VE Atkinson)
2. Approve all direct grant clients	Direct financing of \$200,000 released	By the fourth quarter	The amount of direct financing approved and disbursed is \$184,689.
3. Conduct Training Seminars for eligible business clients	Improve requisite management skills with training that supplements and reinforces TA. A minimum of eighteen seminars offered	Starting the sixth month and on-going	Three seminars for ninety-five participants completed. 32 companies received intensive counseling and business advice.
4. Identify projects eligible for review for direct grants	Twenty project plans developed	By the fifth month	Twenty project plans developed for prospective grant recipients.
5. Conduct technical assistance for direct grant and other clients	Complete 18 volunteer assignments	By the 18 th month	Twelve volunteers conducted technical assistance to date.
6. Facilitate market information exchanges and trade linkages	Register increased income and job creation in targeted business ventures and cooperatives through increased sales and trade	On-going	126 jobs created and \$232,474 generated in income.

Note: * In the course of implementing the program, one-to-one business counseling and training has proven a more effective format. Thus, some of the seminar effort has been re-located to the latter format.

III. Project Development, Technical Assistance, and Business Advisory Services

A. Corn Production in Kozlodui (EDP #01)

UD/DRI purchased U.S. hybrid corn seeds and herbicides worth \$6,534 for Tsvetan Orlov. The net economic benefit from the FLAG/DRI sub-grant of \$6,534 will be \$11,966. With the profit from the current farming year, Orlov will purchase a second hand tractor; increase the amount of the land he cultivates to 3,000 dca by additionally leasing 1,750 dca of fallow land, and hiring two more workers. His contribution to the project is \$4,850, which includes expenses he has made for cultivation activities, fertilizers and rent associated with his corn production. Orlov is a young, energetic individual who has the characteristics for success in farming. The success of this farmer is providing a model for other farmers in the region and will propel the development of the Association of Agricultural Producers in Kozlodui of which he is a member.

Tsvetan Orlov planted the corn in mid-April. He participated in the seminar on Farm Management and Marketing of Agricultural Production conducted by Ronald Atkinson in the town of Kozlodui.

Orlov participated in a two-week training program for cooperative leaders in the United States, organized by DRI/FLAG with the assistance of World Learning. The training emphasized the transfer of knowledge in the following areas: cooperative governing principles; financial aspects of cooperative management with emphasis on profit sharing; organizational development, including organization of supervisory boards and professional management staff; supply, marketing, and production; budgeting and financing; external transparency.

Tsvetan Orlov harvested the corn in late September and early October. The yield per dca is 200 kg while projections were 700 kg per dca, based on the testimonials of a Monsanto representative, an expert-agronomist with the Rouse Agricultural Research and Development Institute and local farmers. Projections were not reached due to the very dry season in the Danube region and in the country as a whole. Orlov achieved a profit of \$7,070 from planting the corn, sunflower and wheat. He succeeded in purchasing a second hand tractor and pull-type equipment for \$3,226 and hired one person to help him plant the fall crops and another one in the spring.

B. Sewing Factory Start-Up in Rousse (EDP #2)

UD/FLAG DRI purchased a pocket-welting sewing machine for \$25,000 and granted it to Martin Danchev SP, an apparel manufacturer from Rousse. The machine is the final production-line piece of equipment necessary for the successful start-up of the sewing factory established by Danchev. The machine is a vital piece of professional equipment for the production of men's jackets and coats in which Danchev will specialize. The machine guarantees quality workmanship along with decreased production times, which are essential preconditions for receiving "Cut, Make, and Trim" (CMT) orders for export.

Martin Danchev projects that his factory will produce 3,100 jackets per month on a CMT basis, and that his annual revenue and profit will be in excess of \$180,000 and \$25,000 respectively for the first full year of operation. The generated income for the first full year of operation will be \$64,917 (net income of the company plus the salaries of the new employees).

The combination of a modern sewing facility, a skilled and motivated workforce, and Martin Danchev's previous experience in the sector, creates a valuable addition to the Bulgarian apparel export industry. This, along with the timely addition of the pocket-welting machine to Danchev's existing production line and follow-on FLAG technical assistance will help ensure the creation of 30 additional jobs and the success of this project.

This project has so far created 45 new jobs by providing the specialized pocket-welting machine to Martin Danchev SP in his medium sized, commercial sewing facility in Rousse. Rousse is known as a major sewing center in Bulgaria, with more than 300 SMEs specialized in garment production. The training that Danchev provides to his employees is a highly valued skill in the area. Danchev will start a new production line designed to perform CMT work primarily focused on men's suit jackets and sportscoats for export to the U.S. and Western Europe.

To ensure the sustainable development of Martin Danchev's sewing business, FLAG/DRI recruited through IESC the local consultant Elizabeth Tagareva, an expert in apparel manufacturing production management and organization. Danchev received technical assistance in operations management and human resource management. Technological assistance was provided on more efficient methods for manufacturing his products, and aimed at increasing productivity. The manager was consulted on developing standard time frames, technological documentation for manufacturing the different products, and introducing an incentive-based pay system.

Furthermore, FLAG/DRI is providing on-going technical assistance to Danchev in the area of financial management and accounting.

Martin Danchev opened 45 new jobs and currently has 75 employees. His profit for the period September – March is \$8,450 and he paid \$44,750 in salaries.

C. Briquettes Manufacturer in Yassen, Pleven (EDP #3)

FLAG/DRI purchased a biomass briquetting machine worth \$14,800 for Bulsid Impex from the village of Yassen near Pleven. This machine allows the company to manufacture 130 tons of biomass briquettes per month, made from sawmill and agricultural waste. Bulsid projects a net income of \$4,474 in the first year of operation (September 2000- August 2001). Twenty-four new jobs will be created to service the briquette production line and the gross annual salaries paid to the workers will be \$16,800, generating income of \$21,274.

This type of briquette production provides an environmentally friendly alternative to traditional fuels. Bulgaria, like many other developing countries, produces huge quantities of agro-residues, which often cause serious pollution of the environment. The commercial success of the new Bulsid Impex production line is a replicable model for efficient use of waste material in the Bulgarian light manufacturing industry. In addition to the economic benefit, the briquette technology also conserves wood, a commodity extensively used for heating in Bulgaria and leading to the destruction of forests.

This project will create a total of 24 new jobs by providing a biomass briquetting press to Bulsid Impex. Bulsid Impex is a light manufacturing facility located in Yassen near Pleven, Bulgaria. The production line is designed in 1999 to perform biomass densification, which is also known as briquetting of sawdust and other agro residues. Bulsid Impex is manufacturing biomass briquettes made from sawmill and furniture manufacturing waste. The waste is compacted into log-shaped briquettes, which are sold and burned by other production facilities, schools, heating plants, and households as an alternative to natural firewood, coal, and fuel oil. Market research indicates that the project has the potential to generate net income of \$4,474 in the first full year of operation.

Project capitalization is combined with technical assistance and training. A UD/FLAG consultant is providing assistance to Bulsid Impex on packaging and labeling of the product and exploring opportunities for increasing the company market share by selling in Sofia. Local consultants will provide assistance for Bulsid Impex in the areas of accounting, financial management, marketing, and operations technology.

FLAG/DRI is using its available database resources and the services of the newly established FLAG Trade Development Center to assist Bulsid Impex in identifying new clients for their briquette production. Furthermore, FLAG/DRI consultants are advising Indjev, the owner of Bulsid Impex on developing marketing strategies for his company. FLAG/DRI will provide specialized literature to Bulsid Impex on briquette technology and innovations.

The biomass briquetting machine was installed on September 15. Fifteen jobs were created: eleven employees are servicing the production line and loading the briquettes, one production manager, one driver, one accountant and the company manager. Bulsid achieved a profit of \$4,853 for the period September – March and paid \$8,961 in salaries.

D. Grain Production In Nikolovo, Rousse (EDP #4)

FLAG/DRI purchased a portable grain-drying machine of \$25,000, as part of an investment of \$33,573. FLAG/DRI granted the grain dryer to ET Boris Mihailov¹. The grain dryer, together with a newly constructed storage facility with an active ventilation system, represents the assets necessary for developing a modern warehouse facility. The total investment, which includes installing the grain dryer with a propane unit and completing the construction of the metal storage facility with an active ventilation system, is \$53,831.

Boris Mihailov's contribution to the project is \$28,831, or 54% of the total project cost. The expected generated income from the project is \$34,397.

The project is supporting grain growers in the village of Nikolovo by enabling them to store grain (bread wheat, corn, and sunflower) for more than two years and increase the warehouse capacity two and half times from 1,500 tons to 3,750 tons. In addition, the dryer has improved grain quality and satisfies local farmers' need for this type of agricultural service. This project is also creating four new jobs.

The purpose of the grant is to address one of the major problems facing Bulgarian farmers, the lack of adequate storage facilities and equipment that can assure good quality grain. Grain with a high percentage of moisture can only be kept for up to four months (significantly before the arrival of higher grain prices in the spring). This project will address this issue by providing appropriate drying equipment to complement storage facility currently being constructed by the principal. Historical data from the Agricultural Market Information System Ltd. (SAPI) shows that wheat prices typically increase about 45% in the spring compared to the harvest price. Thus, the drying machine will greatly increase the profit potential of Boris Mihailov's operation, and, in turn, increase the economic stability of many of the farmers and landowners in the region.

The FLAG/DRI grant is coupled with technical assistance for Boris Mihailov, which together with his resources and experience creates a tremendous opportunity for improving farming practices and economic opportunities for the entire village of Nikolovo.

FLAG/DRI completed an intervention plan for training and technical assistance in storage facility and grain dryer operations and maintenance, farm and cooperative management and marketing of agricultural products. FLAG/DRI recruited Wade Leaman, ACDI/VOCA volunteer, to assist the management of the company in grain production and storage and improving work methods in order to increase productivity. The volunteer provided advice and training, and conducted a seminar for Boris Mihailov and twenty five co-owners on setting up a cooperative and the advantages of Western-style cooperatives and management. The volunteer advised the farmers on the proper use of the new storage facility and the portable grain dryer. The volunteer also conducted a seminar on Western-style cooperatives for fifteen agricultural producers from the village of Nikolovo and the Rousse region.

Boris Mihailov attended a FLAG/DRI seminar on Farm Management and Marketing.

The operation had a profit of \$50,996 for the period October-March and \$20,454 were paid in salaries.

The grain dryer is in the process of being installed. The principal is also constructing the required propane storage unit.

E. Detelina Flourmill in Nikolaevo (EDP #5)

FLAG/DRI purchased wheat and flour quality control equipment for a total cost of \$ 9,743 for the Detelina flourmill located in the village of Nikolaevo, near Pleven.

¹ In 1995 the company won a tender for the current premises and purchased them together with a group of farmers who had bonds in the former Agricultural Cooperative. Although Boris Mihailov originally registered the company as a sole proprietorship, the assets are now shared, i.e. the 197 individual farmers are joint owners of the fixed assets and in essence stakeholders in the company.

By providing reliable and reproducible measurements on both the input and the output side, the quality control equipment will improve the mill's operational efficiency and will ensure a competitive edge in its marketing. It will also spare the mill the need to outsource this service to external laboratories. The ability to estimate the milling value of wheat effectively lowers the price of inputs through maintenance of batch homogeneity and/or mixing of different types of wheat to improve the overall quality of the processed product. The impact on the output side is in allowing the processor to compare his quality to that of other producers and to ensure customer confidence in the quality of the product.

The establishment of regular quality control practices by Detelina is in conformity with the spirit of Bulgaria's adoption of European and international food standards. Voluntary certification and the emphasis on quality as an important element of the competitive advantage will have a long-term impact on the whole grain products cluster, including the bakery industry, and will create a replicable model of consumer-oriented practices.

The purpose of this project is to help launch and ensure the sustainable operation of the Detelina flourmill, which is opening and retaining 24 jobs. Of those, 3 new jobs for chemists are directly related to the use of the quality control equipment for in-house wheat and flour testing. The expected income for the first full year of operation is \$14,005 (\$8,785 net income and \$5,220 in new salaries).

Detelina needs quality control of its inputs and production for two basic reasons: 1) to know how its quality compares to that of the competitors and undertake quality improvement measures if necessary, and 2) to certify the quality of its production to its customers.

The impact of this project goes beyond the immediate employment creation and income generation. Presently, a large number of Bulgarian mills sell flour without regular quality controls because of the high cost of modern analysis equipment, the high prices of such services at external laboratories, and the scarcity of laboratories that can provide this service. The newly privatized mills have inherited the necessary equipment from the time they were state-owned. The newly constructed private facilities, on the other hand, have either to invest a substantial amount of money in quality equipment, or to use the services of the regional offices of the National Grain Service in the eight major cities in Bulgaria. Most new mills find a middle-road solution by getting the most basic equipment second-hand and/or sporadically using the services of external laboratories. The combination of the high prices of quality analyses and equipment, the inconvenience of bringing samples to be tested on a regular basis, and the weakness of the standards enforcement system in Bulgaria has allowed for the development of a gray market in flour.

In February 2000 the Bulgarian Government published a Memorandum for the Creation of a Free and Stable Grain Market, stating their firm determination to reverse the spread of the gray economy in the grain-related sectors. National Consultative Council was formed with the purpose of assisting the National Standardization Agency in the introduction of European grain and flour quality controls and the prevention of unregistered grain deals. Therefore, assisting Agricultural Cooperative Detelina in the proper quality control preparation of their milling operation, will not only make their own production and marketing more efficient, but will set an example of consumer-oriented practices.

Detelina's owners have received training and technical assistance in management of milling operations and marketing of flour.

FLAG/DRI completed an intervention plan for training and technical assistance in milling operations and marketing of flour. Walter Grunwald, an agricultural volunteer, provided technical assistance to Detelina Flour Mill on technology of flour milling operation, safety, quality control, general management and marketing. He advised the mill operators how to evaluate the individual grinds for particle size and flour production and how to adjust the mill depending on the temperature, humidity and the quality of wheat. The volunteer also provided them with a Plant Maintenance Program manual, prepared by him. It contains practical information and guidelines how to maintain the milling equipment to ensure the proper operation and efficiency of the mill.

The equipment was procured in September. The flourmill had a profit of \$12,002 for the period September-March and paid \$7,000 in salaries. One employee was hired at the flourmill to service the laboratory equipment.

F. Fruit and Vegetable Dryer in Dobrodan, Troyan (EDP #6)

FLAG/DRI purchased packaging equipment for Troyan Commerce LTD from the village of Dobrodan, Troyan Municipality. A fruit and vegetable dryer is in the process of procurement. The total financing is \$20,677. The company is contributing \$4,200 to the purchase of the equipment.

With the new equipment, Troyan Commerce LTD will build on past experience, the availability of supplies, and contacts with customers to improve and significantly expand their operations. Troyan Commerce projects a net income of \$11,661 for the first year of operation after making the investment. Fourteen jobs are being created to service the dryer and the packaging equipment. The salaries paid to the workers will be \$9,489, making the generated income for the project year \$21,150.

Troyan Commerce LTD's existing fruit dryer is very old and uses an inefficient production method. The poor condition of the old dryer prevents its full utilization. Further, the existing dryer cannot be used for drying onions and medicinal plants – two products with great export potential. The new dryer and additional equipment will address these weaknesses, allowing the company to expand production, add new products, and sell at higher prices (due to increased quality).

The dryer uses a heating method with no direct contact between the burned gases, the heated air and the product. This method allows for preserving the taste and nutrition characteristics of the dried fruits and vegetables through an ecologically clean and high quality method.

The goals of the principals are to increase production and develop new product lines of dried fruits, vegetables and medicinal plants. The company also plans to offer customers vacuum packaged dried fruits instead of selling in bulk only. In the long run, Troyan Commerce will also execute an export strategy, having established a brand name, and will develop a distribution network.

Edward Valentine counseled Hristo Hristov, Troyan Commerce, on fruit and vegetable drying technologies, drying of medicinal plants and marketing of such products for three weeks. The current equipment, product and packaging were examined and evaluated. Detailed discussions were held with the manager and flow charts presented and discussed for the dehydration of various fruits and vegetables. Information developed by the University of California at Davis was given to the Manager. Recommendations included moisture levels and color retention techniques for stone fruits, apples and pears. Product quality is also affected by the quality of the raw material and the methods of raw material preparation for drying. These factors were reviewed for all fruits and vegetables under consideration and flow charts provided. A rough estimate of building requirements and equipment costs was furnished to Mr. Hristov.

Finally, marketing approaches were reviewed in detail and the importance of good planning and implementation of the project in phases was emphasized. Like products, plums, apricots and peaches that require similar preparation equipment and packaging for both the retail and industrial market were the logical starting point to minimize capital investment and marketing effort. Other products such as onions, garlic, carrots, and some herbs could be introduced at a later date when eventual failure would not impact the business greatly.

The marketing of food products both industrially and through retail outlets was discussed. Emphasis was given to good product presentation and consumer appeal through labeling and packaging. The importance of meeting ISO standards and HACCP requirements for the export market was stressed. It is these standards that imply compliance with good manufacturing practices and food safety requirements.

The fruit and vegetable dryer and the packaging equipment have been installed in March. The dryer will start functioning in May when the principal plans to dry medicinal herbs.

G. Milk Goats in Trastenik (EDP #7)

FLAG/DRI purchased and granted 90 Bulgarian white milk goats (\$5,175), twenty tons of fodder (\$1,400), and a feed-mill (\$1,350) and a tractor TK 80 (\$4,250) to Jivko Todorov – a goat-farmer in Trastenik to support goat milk production in the Rousse district. The milk is sold to *Sirma Prista Jsc.*, a Rousse-based middle-size producer of dairy products, exporting goat cheese to the U.S.A. The project

created three new jobs. The total grant is \$12,175 and the expected generated income for the first year of operations is \$7,667.

The purpose of this project is to create three new jobs by helping Jivko Todorov increase the number of milk goats in his flock. Two of the three new employees will be in charge of livestock care, and the third employee will be hired for five months to help in the fodder production. Jivko Todorov hired three new employees to take care of the animals.

By increasing his milk production, Todorov succeeded in establishing a contract relationship with *Sirma Prista Jsc.*, Rousse. The milk processor is the only one in the region exporting goat cheese to the USA. *Sirma Prista* guarantees a minimum price to Todorov, thus ensuring a stable market for his milk for the coming year.

The FLAG/DRI grant of agricultural equipment helps Todorov reduce the cost of feeding his goats.

Todorov is committed to developing and growing his goat milk production. He will renovate his barn in January-February by building a separate milking place in the facility for housing a milk container. The investment is estimated at \$500 and Todorov will do most of the construction work himself. *Sirma Prista Jsc.* will provide the milk container in return for a contract for all of the produced milk.

FLAG/DRI completed an intervention plan for training and technical assistance. John Howland, an agricultural volunteer, counseled Jivko Todorov on farm management, modern practices in goat breeding, feeding formula, and general marketing of agricultural products. He made recommendations on improving the feeding program and the construction of a milking parlor and a milk room. The second general area of assistance includes improving the accounting system and advice on strategic planning and budgeting.

Todorov achieved a profit of \$1,433 for the period September – March and paid \$1,600 in salaries. He bought agricultural equipment for \$1,400 as planned from the proceeds of his activities. Todorov also purchased a milking installation for \$2,000 this quarter.

H. Milk Cows in Rousse (EDP #8)

FLAG/DRI purchased 80 milk cows for \$25,000 and granted them to Ivan Dimitrov – Policommerce SP from the town of Rousse. The company will contribute \$16,170 for the purchase of an additional 35 milk cows. The total investment will be \$41,170. Dimitrov projects an incremental net income of \$20,641 for the first year of operation with the investment. Fifteen jobs were created to maintain the livestock. He will spend \$10,618 to pay the annual salaries of the workers, as the projected income for the first year is \$31,259

The company specializes in raising high quality cow breeds such as Jersey and Holstein. Mrs. Georgieva, the director of the Center, indicated that these breeds are known for their high milk productivity.

The principal is committed to continuing to expand the herd and to further modernize the facility. In the longer term, the company plans to build its own facility for processing raw milk and meat.

FLAG/DRI completed an intervention plan in training and technical assistance. Bruce Brockett, an agricultural volunteer, advised the principal on farm management, modern practices for cow breeding, feeding formula and marketing of agricultural products (milk and meat). The volunteer recommended that the farmer introduce a central cow record system, stabilize the feeding program and incorporate body condition scoring to fine tune the feeding program. He also provided the farmer with forms and worksheets for gathering the information necessary for a good record keeping system on the cows. A second general area of assistance includes counseling sessions on strategic planning, budgeting and general management.

The cow breeding operation achieved a profit of \$17,864 for the period October-March and paid \$14,768 in salaries.

I. Meat Products Packaging Line in Dunavtsi (EDP #9)

FLAG/DRI purchased a vacuum packaging and labeling line for meat products for \$25,000 as part of an investment of \$27,560. The machines will be granted to Meat Products – Manolov Ltd., a meat processor located in the village of Dunavtzi, Rousse district. The packaging line, together with two refrigerators, will be set in a new facility for packaging and storage of processed products. The total investment (installing the packaging line and the two refrigerators) is \$37,892. Manolov's contribution is \$12,892 or 34% of the total project. The project will create eight new jobs and the expected generated income for the first year of operations is \$21,688.

Manolov projects that the new facility for packaging and storage will create the opportunity to increase annual sales by approximately 20% annually. The company's meat products will have more attractive packaging and labels, and their expiration period will double. The operations of the new processing facility will strengthen the company's market position by attracting new clients and expanding the current distribution network.

The company is making improvements in the processing facility and the slaughterhouse in compliance with the now mandatory EU accession sanitary requirements for meat processing plants.

The purpose of this project is to create eight new jobs by helping Manolov to launch a new facility for packaging and storage of processed meat products. The project is creating eight jobs: including one technician, four people to operate the packaging line, two people to produce semi-processed meat products, and a cleaner.

The vacuuming and packaging machine *Multivac C 450* will improve Manolov's product quality by preserving the taste and expanding the shelf life. The vacuum packaging also gives the product a more attractive design.

Compliance with European and international food standards will allow the company to pursue export opportunities. All types of meat and meat products for export to the EU need to be vacuum-packaged. The new equipment will enable Manolov to offer packaged pork and veal to foreign customers.

FLAG/DRI completed an intervention plan in training and technical assistance. Lyle McCormick, a meat processing advisor, provided technical assistance and training to "Meat Products – Manolov". He counseled the entrepreneur on marketing with an emphasis on sales, packaging and labeling. The volunteer also performed demonstrations on cutting meat and advised on the types of products to be made from the various cuts. The volunteer provided them with charts of different cuts of beef. Manolov will receive additional training and technical assistance in the areas of finance and accounting for small enterprises. Jarvis Asbill consulted "Manolov" Ltd. on new technologies and new product development in the meat processing industry for two weeks. The volunteer advised the beneficiary and made demonstrations on how to prepare jerky and bacon.

The equipment was installed in January. The principal employed three new employees to service the new equipment. The company had a profit of \$12,386 for January-March and paid \$19,887 in salaries. The principal also invested in refrigerators for \$7,325 and reconstruction of the facility for \$5,109 as planned.

J. Stone-Working Equipment in Vratsa (EDP#10)

FLAG/DRI will purchase stone-working equipment for a total cost of \$15,560 for ArtPro. The equipment will be installed in a new fireplace surrounds production facility in Vratsa. The owner of ArtPro, Christo Todorov will invest in the purchasing of a second hand forklift (\$2,000) and the necessary diamond knives for the facility (\$3,000). With FLAG/DRI assistance, the company projects a net income of \$19,083. The projected salaries of the new employees for the first year are \$13,200. Generating a grant leverage of 155% (\$10,846 in incremental net income and \$13,200 in new salaries, divided by the grant amount).

ArtPro's new venture is opening five jobs for stonecutters and stone-carvers. A small amount of fireplace surrounds will be sold domestically, while the major portion will be exported to an Italian fireplace construction company – Piazzetta S.P.A.

The owner and manager of ArtPro – Christo Todorov, is an architect from Sofia. After graduating from the National Architecture Academy, Todorov worked for three years as a designer and technical controller, specialized in swimming pool construction. In 1999 Todorov started his own company, dealing in import and installation of Italian fireplaces. In the two years of the company's existence, Todorov has dealt in the construction of fireplaces, architectural design, and house construction. Eventually, he decided to focus on the most profitable activity, fireplace construction. Presently five people work at ArtPro – the owner, a secretary, one assistant designer and two assembly workers.

ArtPro imports fireplaces from Italy for resale in Bulgaria. The manufacture, Piazzetta, produces the best value-for-the-money products of this type in the local market. Each fireplace consists of a firebox with a burning and ventilation system, surrounds (usually limestone in combination with marble or granite), and an upper insulation cap. ArtPro imports the fireboxes from Piazzetta and supplements them with locally manufactured surrounds that are less expensive than the Italian equivalents. Presently, Todorov designs the surrounds to fit his client's specific preferences and then orders their manufacturing at one of the stone-working facilities in Sofia. Todorov's experience with outsourcing the stone-working process has been dissatisfying. Orders are often completed late and quality varies greatly among the different stone-workers. Organizing a stone-working facility of his own, Todorov will have control over the production process. Todorov has attracted the best stone worker according to his professional experience, Oleg Liubomirov Iliev, who presently works freelance, to manage the production facility in Vratsa. Todorov chose to locate the new facility in Vratsa because of the vicinity to the three main Bulgarian stone sellers - Hemus-Mezdra, Bulnet-Varbeshnica and Mramor-Berkovica. All these facilities obtain materials from the quarries near Vratsa and Mezdra where limestone and marble are available in significant quantities. The only specialized technical school for stone-working in Bulgaria is located in the village of Kunino near Berkoviza, approximately 30 km from Vratsa.

Todorov's goal is to start production of fireplace surrounds for export to Italy and for the local market. He has signed a contract with the supplier of fireboxes, the Italian company Piazzetta to sell and deliver between 192 and 492 limestone and marble surrounds the first year of operation.

The training and technical assistance for this project will aim to ensure the maintenance of efficient financial management and sustainable market presence of ArtPro. FLAG/DRI consultants will advise Todorov on introducing and maintaining a financial reporting system for improved control and optimization of costs. On the marketing side, Todorov will be advised on how to develop strategies for improved brand recognition among his potential customers and how to advertise his product more efficiently.

The equipment is in the process of procurement.

K. Bakery for Zlatorojie Cooperative (EDP #11)

FLAG/DRI will purchase a bread-baking line for Zlatorojie Cooperative from the village of Kutovo near Vidin for \$5,200. The grant will allow Zlatorojie to open a bakery in the village and is creating three jobs for bakers. The new bakery will sell bread and pastries to the local community. The opening of the bakery with FLAG/DRI assistance will bring to the cooperative a projected net income of \$6,471 as compared to \$1,881 under the current outsourcing conditions. Adding the salaries for the new employees (an annual total of \$1,800) to the incremental increase in the income (\$4,591) the project will generate an expected income of \$6,391 in the first year of operation. The grant leverage is 123%.

Agricultural cooperative Zlatorojie was registered in 1993. Zlatorojie replaced the liquidated communist-style agricultural cooperative and took over some of its buildings and cultivation equipment. In the following years, as the process of land restitution unfolded, many of the villagers joined the cooperative. Presently, the cooperative has 288 members. For most of them, the income that the cooperative provides them, in the form of inexpensive bread and corn or sunflower oil, constitutes an important part of their means of living. The cooperative presently employs sixteen people full-time and eight additional seasonal workers at harvest time and is the biggest employer in the village.

The members of Zlatorojie have their land cultivated by the cooperative, which has at its disposal cultivation equipment and the necessary personnel. The cooperative produces wheat, corn, barley and

sunflower. From these, approximately 15% are given back to the cooperative members in the form of bread, corn or sunflower oil. The cooperative retains another 5 to 10%, depending on the harvest, as seeds for the new harvest. The rest of the crops are sold to cover the harvest campaigns, employees' salaries and other production expenses.

This year the cooperative accepted 18 new members and the land it cultivates grew from 5,800 dca to almost 9,000 dca. The new members are villagers who previously tried to harvest their land individually or people from neighboring villages. They have chosen to become members of the cooperative because of the hardships that individual farmers meet in negotiating with buyers and in securing cultivation equipment for their land.

The goal of the cooperative is to open a bakery and to sell bread and pastries in the village of Kutovo. Zlatorojie has set itself the target of \$24,000 in annual sales of bread and pastries and approximately \$4,500 in profit relating to the sale of bread and pastries.

In the long run, the chairman of Zlatorojie Cooperative, Vitko Petrov hopes to be able to introduce modern western techniques for cooperative management, which will lead to the cooperative's sustainable development. Creating the new bakery is the first step of moving the cooperative's operations beyond survival towards profitability.

Vitko Petrov, participated in a two-week training program for cooperative leaders in the United States, organized by DRI/FLAG with the assistance of World Learning. The training emphasized the transfer of knowledge in the following areas: cooperative governing principles; financial aspects of cooperative management with emphasis on profit sharing; organizational development, including organization of supervisory boards and professional management staff; supply, marketing, and production; budgeting and financing; external transparency.

Additionally, the cooperative will receive counseling by FLAG/DRI advisors in the areas of financial management and marketing.

The equipment is in the process of procurement.

III. No-Cost Extension

UD submitted a grant revision request to USAID and got approved a no-cost extension for the UD/FLAG DRI Project No. 183-G-00-99-00111-00. The no cost extension is for one month and will allow for the following activities to be carried out in April:

- Completing procurement and disbursement of the final three sub-grants for direct financing;
- Completing monitoring and the “graduation” of cooperatives and business ventures which have received sub-grants under the FLAG/DRI project;
- Compiling updated information and preparing the final project report and evaluation.

IV. Coordination with DRI Partners - Synergy

UD/FLAG participated in the monthly coordination meetings of the DRI implementers - PLEDGE, FLGR, UNDP/ILO, Nachala Cooperative, CRS, and Solidarity. FLAG, in coordination with the other DRI stakeholders completed monthly implementation reports and contributed to the DRI Key Events Calendar, Implementation Matrix, and Site Map. These tools are used to facilitate planning and synergistic efforts among DRI implementation partners. UD/FLAG prepared a brochure of implementation highlights and FLAG/DRI progress to date, which was presented to DRI partners and USAID. DRI coordination and synergy have proven valuable in terms of obtaining input and information on issues and needs in the Danube River region, as well as identifying opportunities for mutual strengthening of DRI implementing partners’ activities.